PERFORMANCE EVALUATION OF A.P. STATE ROAD TRANSPORT CORPORATION (APSRTC) WITH A PERCEPTIONAL FOCUS ON TURNAROUND

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Introduction

The public sector in India has been emerged an integral part of the economy in its growth and development process.[1] It has been the backbone of Indian Economy and acted as a strategic mover of nation's economic growth and development process especially after the attainment of independence and today they have undoubtedly attained the commanding heights of the economy.[2] In the environment of globalization they have transformed temples of independent India to competitive business entities of modern India.

In the process of economic development of India a vital role was assigned to the public sector and this role was enshrined in the Industrial Policy Resolution of 1948 and was further emphasized in the Industrial Policy Resolution, 1956. Public Sector in India was envisaged not only to control the triple bottom lines of Indian Economic Pyramid but also serve as a vehicle to promote balanced and equitable growth of the economy[3]**.** This led to the phenomenal growth of the Public Sector Enterprises in India at Centre and State levels during the planning period.

Throughout the developing world, the Public Enterprise (PE) is a major instrument for industrial and commercial development[4]**.** Public Enterprises also termed as State Enterprises or Government Enterprises constitute a major segment of the industrial activity in our country and these undertakings born as the outcome of the conscious policy of the government to speed up the industrialization of the country with a view to giving added impetus to economic growth as well as to achieve

1. KPMG, Report on Indian Public Sector Enterprises, Switzerland, 2011.
2 . Rajiv Gandhi., Productivity Improvement in Public Enterprises – A Perspective: Public Sector in Andhra Pradesh, A Hand Book & Directory, Utility Publications Ltd., Secunderabad, 1988.
3. Study Group On Reforms In State Public sector Undertakings, Planning Commission, Govt., of India, Aug, 2002.
4. Khandwalla Pradip. N., Some Lessons For The Management Public Enterprises, Vikalpa, Vol.7, No.4, Oct-Dec, 1982, p.311.

certain socio-economic goals as enunciated in Industrial Policy Resolution of the Government. These today cover a wide spectrum of activities in basic and strategic industries like steel, coal, minerals and consumer goods, trading and marketing activities, pharmaceuticals and fertilizers on the one hand, and consumer goods, trading and marketing activities, transportation services, contract and consultancy service, tourist services, financial services and development of small-scale industries, on the other. While some of these enterprises are operating under monopoly or near monopoly conditions, there are others working under competitive conditions.

Public Sector is owned and financed by society[5], thus aimed to maximize the welfare of the society[6]. Besides, fulfilling their social commitments, public sector enterprises are contributing significantly to the central exchequer through direct taxes and dividends. In simple terms, a public sector enterprise is an industrial, commercial or other economic activity owned and managed by the central or state government of jointly by both.

Sectors of economic activity which involve either monopoly conditions of strategic economic power or possession of large resource in private hands should be publicly owned and operated as public enterprises.[7] It also means that public enterprise should make itself available for the building of economic overheads on the external economies like transport, power, fuel and basic capital goods without which increase in the production of consumption goods and services either on the required scale or necessary economic basis will not be possible.

5 . Wamsley, G.L. and Zald M.N., The Political Economy of Public Organisations, Lexington, 973.
6 . Rainey.H.G. Backoff, R.W and Levine.C.H., Comparing Public and Private Organisations, Public Administration Review, Vol.36, No.2, 1976, p.233.
7 . Gaurav Datt and Ashwani Mahajan., Indian Economy, S.Chand Higher Academic, New Delhi, 2011, p.209.

The Public Sector Undertakings (PSUs) are considered as major instruments of state intervention in economic activities in the developing economies. These countries were facing the problem of income and regional inequality along with the low level of employment and lack of skilled manpower. Further, the major contribution to Gross Domestic Product (GDP) in developing economies comes from the agricultural sector because of the weak industrial base and absence of service sector. At the same time, the low level of savings and poor infrastructure fail to encourage private investment.

Given the set-up of economic system, the state decided to come forward with a clear long-term development strategy. Thereby, the government followed a plan-led development strategy wherein the major role was given to the public sector. The objective behind the plan-led development strategy was to ensure efficient use of limited economic resources along with the social objective of growth with equity.[8]

However, the poor performance of Public Sector Enterprises (PSEs) in the 1980s made reform increasingly urgent in the context of the broader strategy of liberalization of the economy to deal with the perceived weaknesses of India's development strategy in general and PSEs in particular. Lack of action and faulty actions may emerge in SOEs (State Owned Enterprises) for different reasons. It has been widely accepted that SOEs in India have remained in poor financial condition owing to political forces that constrain their function[9]. This results in the bureaucratic interference that slows down decision making or making it financially irrational[10]. In

8. Jatinder Singh and Krishna Reddy Chittedi., Performance of Public Sector Enterprises in India: A Macro-Level Analysis , The IUP Journal of Managerial Economics, August,2011.

9. B.B.Rao., Avoid Time and Cost Over Runs To Check Sickness, Centre For Public Sector Studies, New Delhi, 1987, p.p.19-32.

10. D.Ahlstrom, G.D.Bruton and S.Lui., Navigating China's Changing Economy : Strategies For

developing economies where unemployment rate is high, even declining SOEs continue their operations. Such organizations have increased inertia because of employment security and part of financial security provided by the government, high formalization and bureaucratic control.

Types of Public Sector Undertakings

The Public Sector Undertakings are broadly classified into two categories these are Central Public Sector Enterprises (CPSEs), and the State Public Sector Enterprises (SPSEs).

The direct holding of Central Government in these enterprises is 51 percent or more. As on 15th April, 2011, there were as many as 248 CPSEs (excluding 7 insurance companies). The number of profit making CPSEs has increased steadily from 143 CPSEs in 2004-05 to 160 CPSEs in 2007-08 and then declining to 158 for the years 2008-09 and 2009-10 with a total profit of Rs. 108435 crore.[11]

The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory Corporations established to carry out activities of commercial nature while keeping in view the welfare of the people and the direct holding of the State Government is 51 percent or more. No regular survey is carried out for SLPEs. As on 31 March 2005, 1129 SLPEs were in operation.[12] The majority of SLPEs about 50 percent is in manufacturing sector followed by utility, promotional and welfare enterprises. It is also noteworthy that a considerable number of these enterprises are taken over sick units.

Private Firms, Business Horizons, Vol.43, No.1, 2000, p.p.5-15.

11. Public Enterprise Survey, Department Of Public Enterprises, New Delhi, 2009-10.
12. Eleventh Plan Draft, Planning Commission, Govt., Of India, 2012-17.

State Level Public Enterprises in Andhra Pradesh

In Andhra Pradesh, the State PSUs occupy an important place in the State economy. As on 31 March 2011, there were 72 PSUs functioning in Andhra Pradesh. Out of these, 45 PSUs are working, and remaining 24 are not functioning. The remaining 3 PSUs are Statutory Corporations. Of these, no Company was listed on the stock exchange.

As on 31 March 2011, of the total investment in State PSUs, 99.46 percent was in working PSUs and the remaining 0.54 percent in non-working PSUs. This total investment consisted of 15.71 percent towards capital and 84.29 percent in long-term loans. The investment has grown by 56.93 percent from Rs.31967.13 crore in 2005-06 to Rs. 50165.06 crore in 2010-11.

The working State PSUs registered a turnover of Rs. 61476.93 crore for 2010-11 as per their latest finalized accounts as of September, 2011. This turnover was equal to 10.83 per cent of State Gross Domestic Product (GDP) for 2010-11. The working State PSUs including working statutory corporations earned a profit of Rs. 238.56 crore in the aggregate for 2010-11. They had employed 2.64 lakh employees as on 31 March, 2011. Out of total 48 working PSUs' in Andhra Pradesh, 28 PSUs earned profit of Rs. 922.95 crore and 9 PSUs incurred loss of Rs. 684.39 crore, four working PSUs' prepared their accounts on a 'no profit no loss' basis and five PSU have not finalised their first accounts since incorporation and two PSUs prepared capital accounts.

The major contributors to profit were the Singareni Collieries Company Limited (Rs.351.37 crore), Andhra Pradesh Power Generation Corporation Limited

(Rs.313.22 crore), Andhra Pradesh State Financial Corporation (Rs. 67.33 crore) and Transmission Corporation of Andhra Pradesh Limited (Rs.61.74 crore).

Heavy losses were incurred by Andhra Pradesh State Housing Corporation Limited (Rs.341.13 crore) and Andhra Pradesh State Road Transport Corporation (Rs.317.40 crore). The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of projects, running their operations and monitoring. Losses in Public Sector Undertakings have been a matter of great concern for the Governments, bureaucrats, educationists and every other person who has interest in the national economy.[13]

A.P. State Road Transport Corporation is one among the 37 State Road Transport Undertakings (STU) incorporated by Andhra Pradesh State Government under Section 3 of the Road Transport Corporations Act, 1950 as wholly owned Corporation or as Government Company under Companies Act, 1956 with a view to provide an efficient, adequate, economical and properly coordinated road transport. Public road transport plays a significant role in the development of economy of the country as a support system in carrying passengers to different places. This service is catered to by the State Transport Undertakings (STUs). Since 1932, the APSRTC has registered a steady growth from 27 buses and 166 employees to 22780 buses with 773 bus stations, 210 Depots and 1881 bus shelters and 115317 workforce as on 31st March, 2012. The buses of the Corporation cover 77.48 lakhs kilometers and carry 136.65 lakhs people to their destinations every day. They connect 23,338 villages to all major towns and cities in A.P which constitutes 83.01 percent of road transport. APSRTC operates city, Mofussil, inter-state services connect towns and

13. Prabhakar Singh ., Privatizing Sick Public Sector Undertaking, Mittal Publications, New Delhi, 2002.

cities in the neighboring states of Tamilnadu, Karnataka, Maharashtra, Goa, Orissa and Chattisgarh.

The objective orientation, rationing and growth of Public Sector, both central and state level enterprises, are spectacular in India. But, due to the operational and managerial deficiencies and problems the spree of privatization started with a strong policy emphasis and reorientation of the Government philosophy since the initiation of economic reforms in 1991. The industrial policy statement announced by the GOI in July, 1991 envisaged the disinvestment of a part of the govt., holdings in the share capital of select Public enterprises in order to provide market discipline and to improve the performance of the public enterprises. The Arjun Sen Gupta Committee report also advocated that the Govt., should distance itself from the public sector.

On the other hand, wherever, the existence of public sector is imminent in view of the social objective and public welfare orientation, the imperative of improving the performance of public enterprises is emphasized. This is because the loss making or laming public enterprises are a drain on the public resources.

Thus, there is an underlying tone that the loss making and operationally and financially inefficient public enterprises need to have a turnaround through reorientation of their managerial and operational policies with the application of pragmatic strategies of turnaround addressing the realities and challenges of a respective enterprises. Hence, the issue of organisational failure is of practical, political and academic interest. The challenge of grasping how failure is understood, and perhaps more importantly, recovered from, is the key driver of this thesis.

Need for the study

APSRTC is the traditional and dominant state level public enterprise. Due to competition and lenience attitude of Government towards APSRTC, due to operational dilemmas and host of other reasons the corporation had been in the choppy waters financially and operations. The management of the corporation no doubt has been pursuing certain strategies of turnaround and implementing the capsules of corporate turnaround. But, still the corporation is laming and trailing behind. This may be due to heavy competition from the private sector operators, lack of professionalism and management, absence of conviction in administration, absence of objective oriented direction in turnaround strategies pursued.

APSRTC being a public service state-level government enterprise, the survival, success and the sustainability and commercial viability assume a dominant significance. In this direction, no research pursuit has so far been undertaken. To fill the niche, the present study on the 'Performance Evaluation of APSRTC with a Perceptional Focus on Turnaround' is felt imminent and imperative.

Objectives of the study

The core objective of the study is to evaluate the performance of APSRTC and to diagnose its problems to dwell on the dimensions and strategies to be adopted by the Corporation for its turning around. The other peripheral objectives are:

1. to present the genesis and development of SRTUs in India with exclusive focus on A.P. State Road Transport Corporation;
2. to analyse the performance of the A.P. State Road Transport Corporation;

3. to examine the strategies to be adopted and to review the credibility building actions by A.P. State Road Transport Corporation at different levels of operation for turning around.
4. to identify the result oriented top level change agents which orient to turn around the corporation;
5. to suggest policy measures for effective and efficient functioning of A.P. State Road Transport Corporation that enable it to operate at a profitable level by employing specified turnaround measures.

Significance of the study

The constitutional philosophy of welfare state in India made the development of alternate modes of transport and efficient service for passengers as the prime concern of the Government. Efficient means of transport and communication assume particular significance in the Indian circumstances where 70 percent of the population lives in the rural areas and 50 percent of which are still not connected with proper road linkages. Undoubtedly within the transport sector road transport generally constitutes a huge segment.

Public road transport is one of the most important components of the transport sector. Transportation and the emergence of nation state played a strategic role in the 19^{th} century. Today there are 45 State Public Sector Transport entities (20 Statutory Corporations and 25 Government Companies) in India. The public transport in most of the developing countries like India is dominated by the public sector entities with certain degree of privatization. Human mobility is significant for cultural, social and economic development of the human race society nation and the universe at large. Since the invention of the wheel, different modes of human transportation developed

turning the face of development in various dimensions. Transport has a major impact and lives of everyone. It is a fact to note that lack of efficient transport in the third world countries acts as a serious drag on economic development.

Despite the socio-economic importance and the potential, public sector transport in India suffers from serious problems of operation, finance, capacity and quality. Moreover, the increased competition, management crisis, absence of long-run perspective, lack of commitment and customer orientation etc., being problems of falling occupancy, economic inefficiency, deteriorating service quality etc., inspite, of the problems, leakages, losses there is a greater scope and need for the Public Sector Road Transport Corporations to operate in the market in view of the demand for the service, social good and as obligation of the Government. It is also the case with the Indian Railways which used to sustain losses and which turned around and to the track of efficiency. It should also be the case with the Road Transport Corporations to catch up the operational efficiency, financial stability and economic viability.

In this regard the evaluation of performance of the State Road Transport Corporations with a focus on the strategies of turnaround assumes greater importance. With this in the backdrop the present study is contemplated and pursued with a focus on the Andhra Pradesh State Road Transport Corporation in its evaluation with a turnaround focus.

Period of the study

The study covers a period of 10 years between 2000 and 2010 for all pertinent analysis. For the purpose of operational and financial analysis of the corporation and also for the presentation of comprehensive profile of the enterprise and study the time period beyond the stated period of the study is covered.

Scope of the study

Though the study is broadly turnaround management in public enterprises, the focus is specifically on the turnaround strategies with regard to AP State Road Transport Corporation. The study covers the operational and financial profile of the entity, the turnaround strategies, their fit and implementation besides the turnaround strategies ought to be pursued for the sustainability and the success of the corporation as a commercially viable entity in the arena of competition in the regime of reforms. The feel, perceptions and expectations of the management, the internal customers (employees), and the consuming public (commuters / passengers) are also elicited and analysed for presenting a comprehensive Performance Evaluation of the APSRTC with a focus on turnaround.

Database and Methodology

The primary data also provides for the core analytical framework of the study. For eliciting the present primary data the structured questionnaires for the cadre of management and also employees besides the semi-structured face-to-face interview with the commuters / passengers provide the base. The questionnaires are canvassed among the select sample of the respondents on random sampling basis after due pilot testing of the schedules.

Sample Design

The origin of APSRTC dates back to June1932, when it was first established as NSR-RTD (Nizam State Rail & Road Transport Department), a wing of Nizam State Railway in the erstwhile Hyderabad State with 27 buses and 166 employees. During the past 77 years, it has registered a steady growth from 27 to 22,265 buses with 767 bus stations, 210 Depots and 1880 bus shelters. The Corporation's buses cover 79.34 lakh KMs. and carry 127.09 lakh people to their destinations every day. They connect 24,336 villages to all major towns and cities in A.P which constitutes 95% of Road Transport. APSRTC operates to City and Moffusil areas. The Corporation's buses also ply to important towns and cities in the neighboring States of Tamilnadu, Karnataka, Maharashtra, Goa, Orissa and Chattisgarh.

The entire network is under the administrative control of 23 Regional Managers in 7 Zones. Zonal Head Quarters are at Hyderabad. APSRTC under the present name was established on 11th January 1958 in pursuance of the Road Transport Corporations Act 1950. As mentioned earlier the AP State Road Transport Corporation operates its buses under the administrative control of 7 Zones viz., Greater Hyderabad (24 depots), Hyderabad (28 depots), Karimnagar (37 depots), Vijayawada (32 depots), Vizianagaram (27 depots), Kadapa (31 depots) and Nellore (31 depots). These zones are considered as strata for the selection of the sample of the commuters as well as operational staff. In each of the zones 20 per cent (i.e. 42 depots) of the total (210 depots) depots was selected for collection of primary data. The stratified proportionate random sampling method is adopted for this study.

The depots selected for the sample (42 depots) has connected to urban, semi-urban and mofussil services. This study is confined to the 126 services (i.e., 42 depots multiplied by 3 aforecited services) operated by APSRTC in all regions. It is observed that in each service 25 commuters have been selected using purposive sampling method. Therefore, the questionnaire is canvassed among the 3150 commuters. Out of which, approximately 630 unfilled and unbiased responded questionnaires have been rejected. Hence, the study is confined to a total sample of 2520 commuters (Annexure-I) which is a representative of the heterogeneity of the respondents which justifies 95 per cent confidence limit[14].

The operational staff is a blended mix of front-line operational force consisting bus drivers and conductors, Traffic Inspectors (TIs) etc., Due diligence is taken in selecting a sample of operational staff considering their experience and educational qualification. In selecting sample of operational staff, purposive sampling method is adopted. The structured questionnaire is canvassed among 1512 operational staff (Annexure-II) with a blended mix of 756 conductors and drivers each and 42 Traffic Inspectors. From the survey, it is observed that 16.6 per cent of the biased and unfilled subjects are rejected. Therefore, the study considers 83.34 per cent of the subjects which comprising of 630 conductors and drivers each and 42 Traffic Inspectors which is found to be satisfactory at 95% level of significance.

14 . William G. Zikmund., Research Methodology, Thomson Learning, 4th Revised Edition, 1994, p. 375.

Hypothesis of the study

For the purpose of the present study it is hypothesized as below.

H1: There is no significant difference in the most dissatisfying features in the services of APSRTC and tenure of usage of services.

H2: Is there any significant correlation between the reasons for inefficiency of the APSRTC as perceived by the commuters and the suggestions by them there of?

H3: Retrenchment strategies have a significant positive relationship on the organisational turnaround.

H4: Reorganization strategies have a significant positive relationship on the organisational turnaround.

H5: Financial Strategies have a significant positive relationship on the organisational turn around.

H6. The suggestions made by the commuters are significantly influence the strategies of turnaround implemented by APSRTC for its turning around.

Tools and Techniques of Analysis

For the purpose of analysis and to facilitate interpretation simple statistical tools like percentages, averages, simple growth rate, compound annual growth rates, and Pearson Coefficient of Correlation are used. Statistical tools such as Chi Square test, Independent sample t- test, Levene's test for equality of variances, Kolmogorov-Smirnov test, Friedman's test, canonical correlation analysis and Exploratory factor analysis are used for testing the hypothesis on SPSS for Windows Version 16.0 are used for the purpose of extensive analysis. For the construct included in the study, unidimensionality was asserted using Confirmatory factor analysis (CFA) using

Statistic 9.0 edition. The $\chi^{2,}$ goodness of fit indices (GFI) and RMSEA measures were employed to examine the integrity of the construct.

Limitations of the Study

Though the study is designed schematically it is not without certain limitations, some of which are as below:

a) As the study is based upon primary as well as secondary data, the secondary data sources vary widely in reporting. Difficulties are faced in authenticating the data with a reference to the official records.
b) As the A.P. State Level Public Sector Undertakings experienced delay in annual account reporting updated information could not be obtained.
c) In collecting the primary data, respondents bias do exist.
d) The percentages and averages are rounded off to the nearest decimal point thus lacking exactness.

CHAPTERISATION

The study is presented in seven chapters.

Chapter-One is **Introduction and Methodology** which provides a canvas of the objectives of the study, hypotheses, the period of study and scope of the study, database and methodology, the sample design, tools of analysis and the limitations of the study.

Chapter-Two is a brief survey of the **Existing Literature.** Various studies relating to the State Road Transport Corporations (SRTCs') ingeneral and those relating to the Turnaround Management (TM) are briefly reviewed in the chapter.

Chapter-Three presents **A Focus of SRTUs in India**.

Chapter-Four presents the **Operational and Financial Evaluation of A.P. State Road Transport Corporation (APSRTC).**

Chapter-Five articulates the **Turnaround Management in its strategies and Intricacies.**

Chapter-Six analyses the **Perceptions of Commuters and the Managerial Staff of the APSRTC on the operational scenario and the measures of turnaround of the corporation.**

Chapter-Seven of the thesis presents the **Observations** emanating from the study and the prescriptive **Suggestions** for future policy orientation.